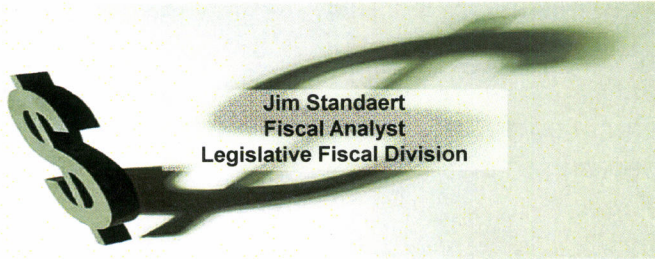




School Finance Training



Jim Standaert
Fiscal Analyst
Legislative Fiscal Division

January 16, 2013

House Education Committee



Budgeted/Non-Budgeted Funds

1. Budgeted Funds (11 Funds)

- District trustees adopt expenditure budget annually
- Revenue may include tax levies
- Examples:
 - General
 - Transportation
 - Retirement



Budgeted Fund Statewide Totals

Fund	FY12 Adopted Budgets
General	\$ 967,179,082
Transportation	\$ 86,822,589
Bus Depreciation	\$ 46,925,425
Tuition	\$ 4,677,504
Retirement	\$ 133,274,407
Adult Education	\$ 14,125,981
Non-Operating (3 districts)	\$ 88,555
Technology	\$ 28,573,828
Flexibility	\$ 40,451,343
Debt Service	\$ 49,826,640
<u>Building Reserve</u>	<u>\$ 84,303,902</u>
Grand Total	\$1,456,249,255



General Fund

- Authorized by 20-9-308, MCA
- Purpose: To finance general maintenance and operational costs of a district not financed by other funds
- Budgeted Fund (Tax Levy)
- Funding Model
- Funding Sources



Principles of Equalization

Basis for HB 667 (L.1993)

- Limit expenditure disparities to 25% from lowest to highest spending districts
- Recognize school district size and special education costs as educationally-relevant reasons for expenditure disparities



Average Number Belonging

- ANB – Average Number Belonging is a student count for each school district used for school funding purposes. The ANB count for the current year is derived from school enrollment counts conducted in October and February of the previous school year.



Changes to ANB Calculation

- **Three-Year averaging** – Choose the higher of current Year ANB or a 3-yr average
- **Full Time Kindergarten (SB2- 2007 Session) - ANB**
Funding for students enrolled in a Full-Time Kindergarten (FTK) program. With the addition of FTK the three year average is calculated by allowing the FTK ANB calculation to be included in the prior two years.
- $\frac{1}{4}$ enrollment 180-359 hours per year
- $\frac{1}{2}$ enrollment 360-539 hours per year
- $\frac{3}{4}$ enrollment 540-719 hours per year
- Full time enrollment 720 or more hours per year.

ANB = Average Number Belonging

FALL ENROLLMENT
(1st Monday in October)

Adjusted for $\frac{1}{4}$, $\frac{1}{2}$, $\frac{3}{4}$ -time students

SPRING ENROLLMENT
(February 1)

Adjusted for $\frac{1}{4}$, $\frac{1}{2}$, $\frac{3}{4}$ -time students

Total of 2 counts
Divided by 2
Times 180 + PIR Days = ANB
180

3yr Average (HB63)

General Fund Budget Elements

- Basic Entitlement
- Per-Student Entitlement
- State Special Education Payment
- Local Special Education Match Amount
- Quality Educator Payment (New FY2007)
- At-Risk Student Payment (New FY2007)
- Indian Education for All Payment (New FY2007)
- American Indian Achievement Gap Payment (New FY2007)



Entitlements (FY04)

Basic Entitlement	
Elementary	\$ 19,456
High School	\$ 216,171
Per ANB Entitlement	
Elementary	\$3,949 - \$0.20/ANB to 1,000 ANB
High School	\$5,262 - \$0.50/ANB to 800 ANB
Special Education Block Grant	
Instructional	\$122.67/ANB
Related-Services	\$ 40.89/ANB
State Approp: \$30.9 million	

Entitlements (FY13)

Basic Entitlement	
Elementary	\$ 23,593
Middle School	\$ 66,816
High School	\$ 262,224
Per ANB Entitlement	
Elementary	\$5,075 - \$0.20/ANB to 1,000 ANB
High School	\$6,497 - \$0.50/ANB to 800 ANB
Special Education Block Grant	
Instructional	\$150.13/ANB
Related-Services	\$ 50.04/ANB
State Approp: \$41.6 million	



Special Education

- **Funding Allocations**

- 52.5% Instructional Block Grants
- 17.5% Related Services Block Grants
- 25% Disproportionate Cost Reimbursement
- 5% Coop Travel and Administrative Costs
- Money is distributed on a per ANB basis not based on the number of students with disabilities.



Quality Educator

Quality Educator is defined as a person who holds a valid certificate and is employed by a school District or Coop in a position that requires an educator license or other professional license to provide services to students.

Includes registered nurses, licensed practical nurses, physical therapists, speech language professionals, counselors, occupational therapists and nutritionists. Social workers, psychologists and other professionals



Changes to General Fund Components 2005 Special Session

- Quality Educator Payment
FY07 \$2,000 per educator FY11 \$3,042
- American Indian Achievement Gap Payment
FY07 \$200 per American Indian Student
- Indian Education for All Payment
FY07 \$20.40 per ANB min \$100 district
- At Risk Payment
FY07 \$5 million annually allocated based on
Title I Allocations

(SB1) 2005 Special Session

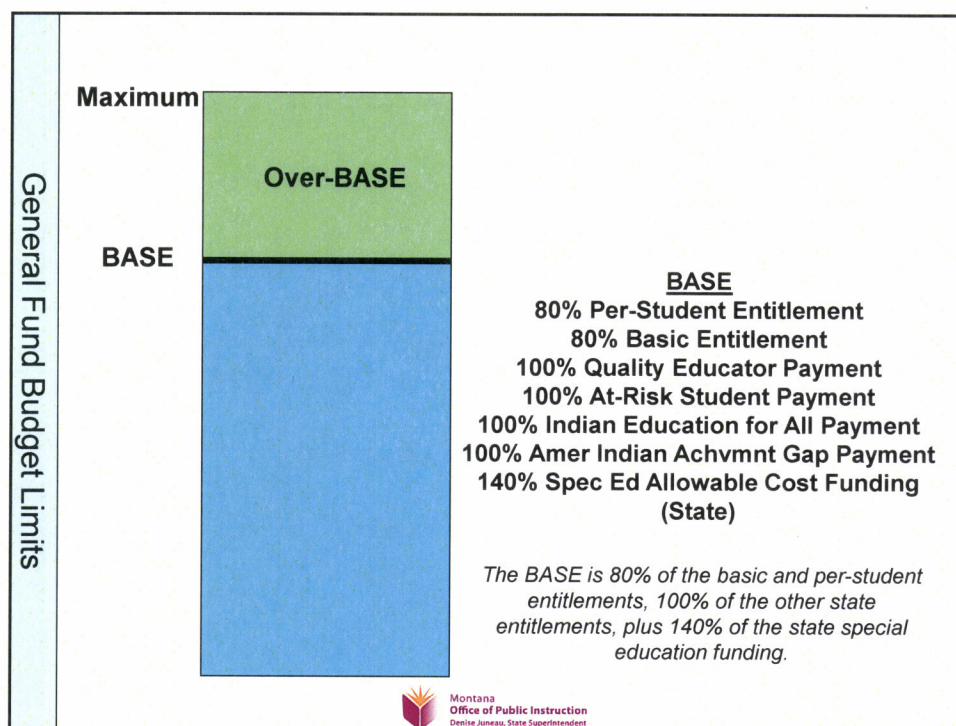
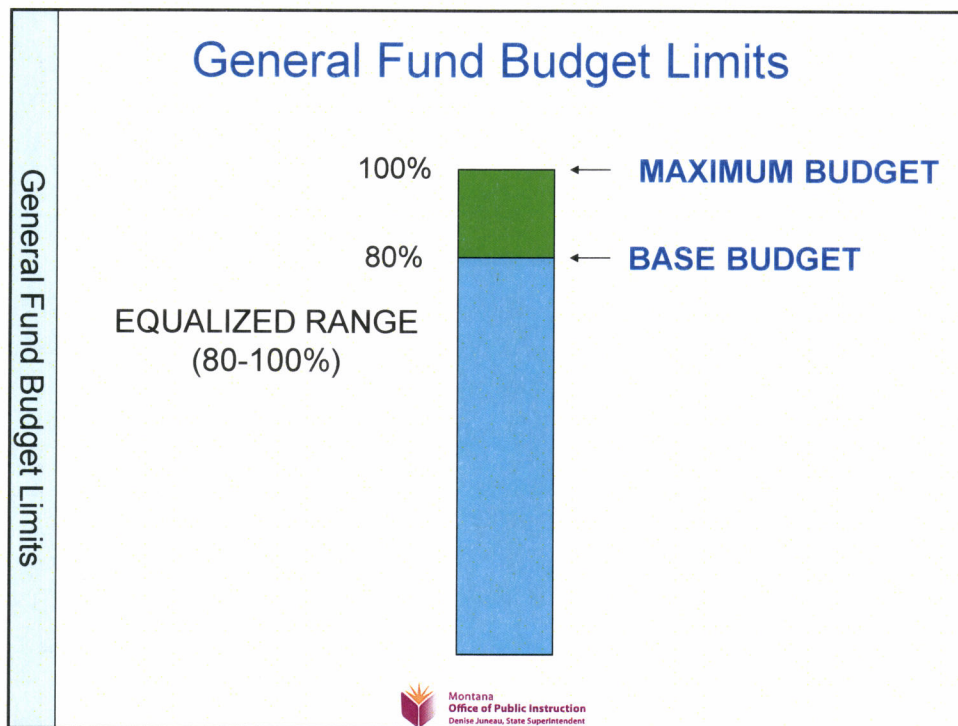


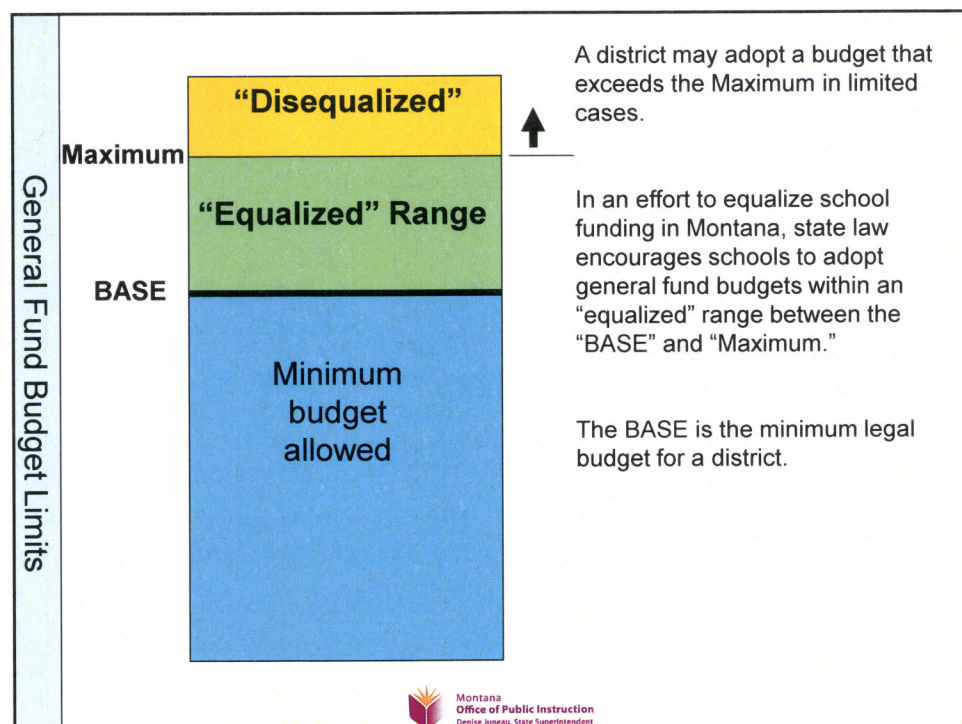
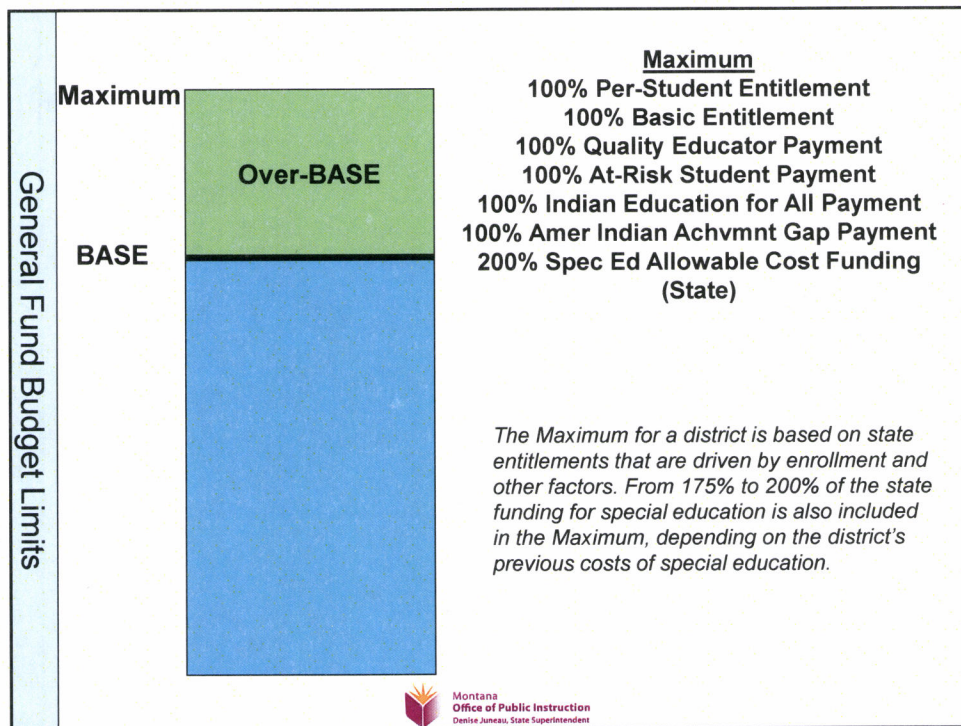
Maximum Budget (FY13)

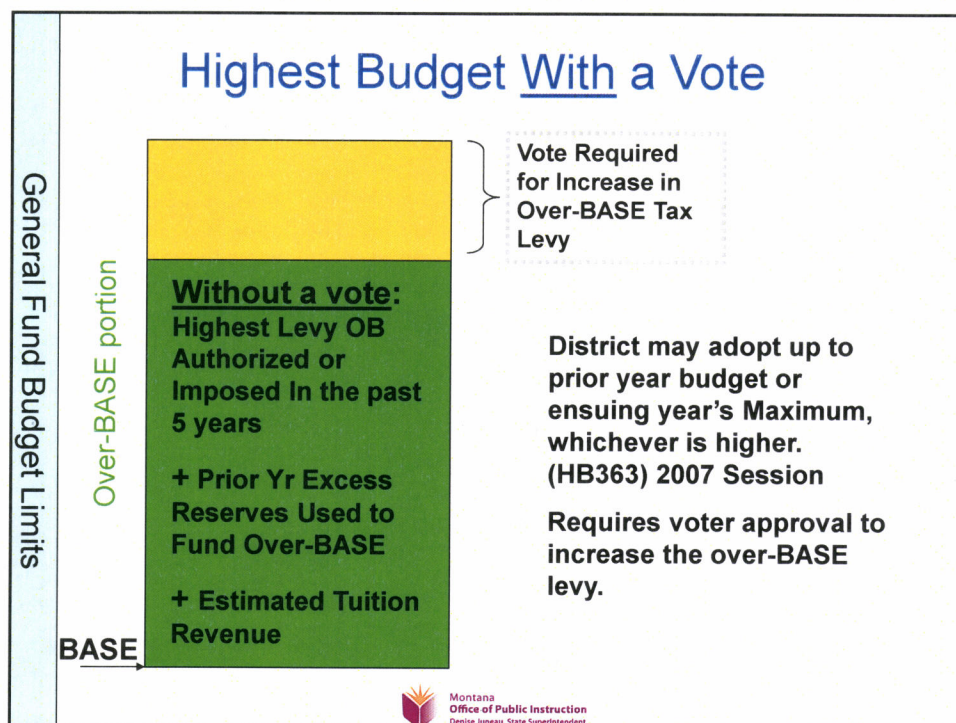
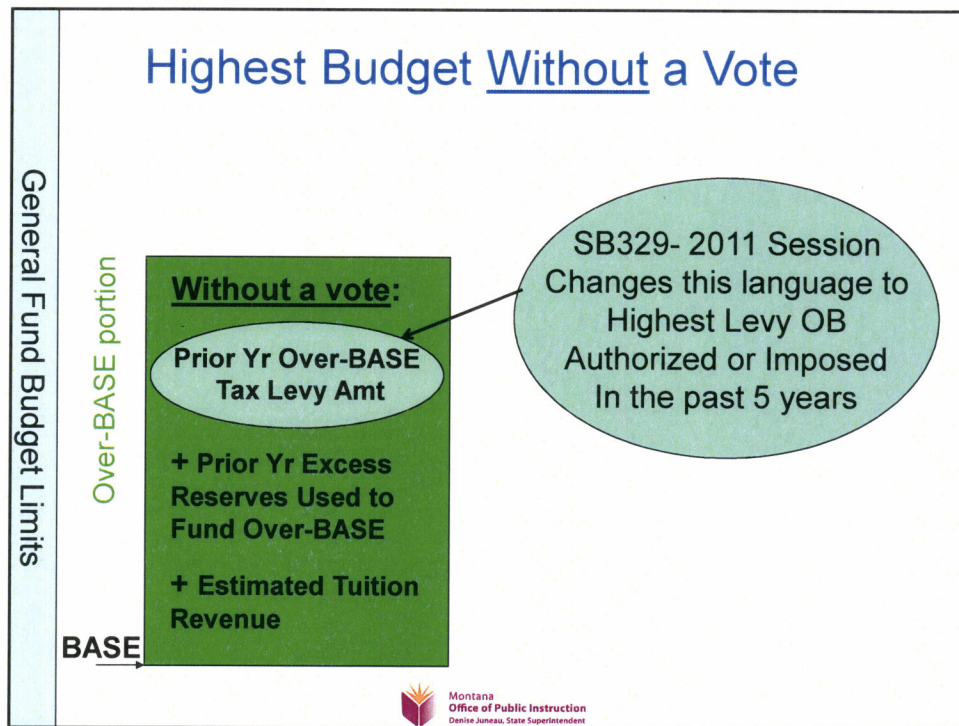
- Basic Entitlement
- + Per-ANB Entitlement
- + 200% Special Ed Per Student
- + Quality Educator Payment
- + At-Risk Student Payment
- + Indian Education for All Payment
- + American Indian Achvmnt Gap Payment

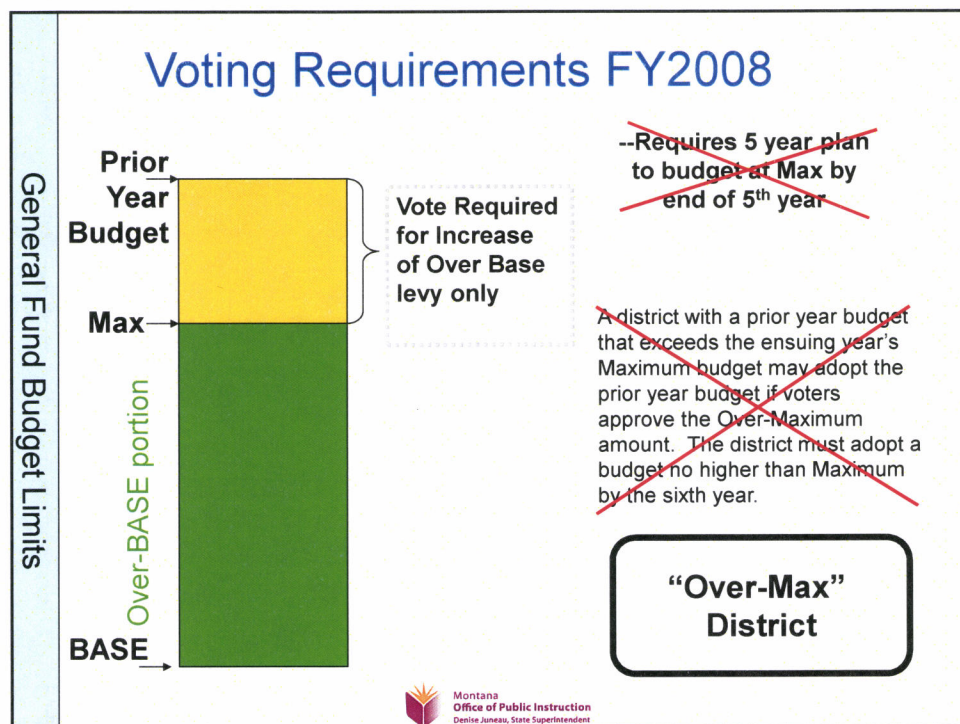
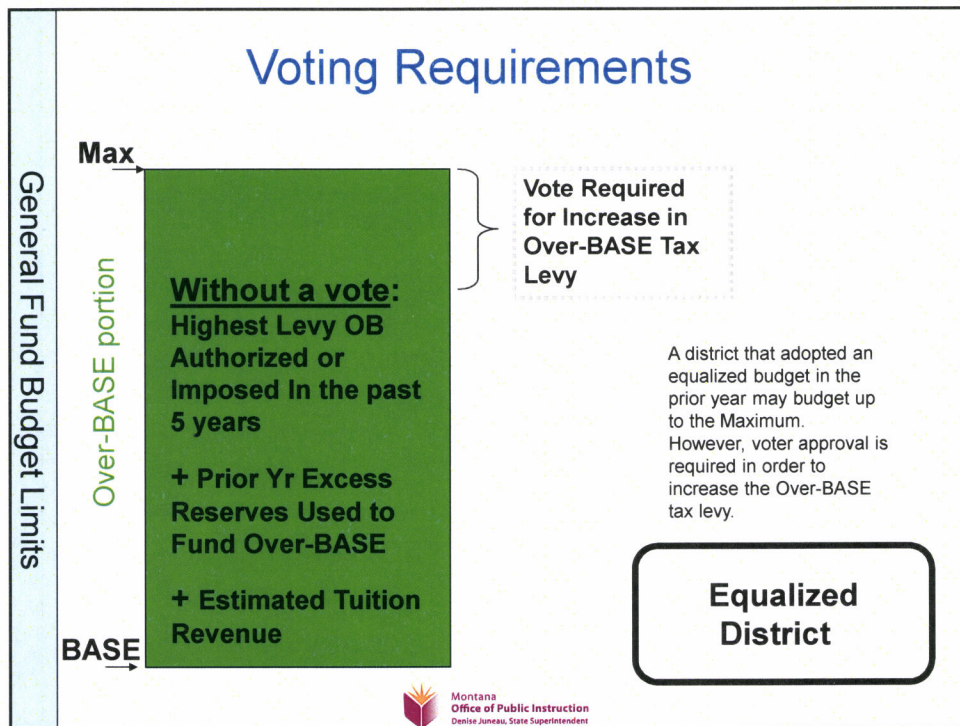
MAXIMUM BUDGET (100%)

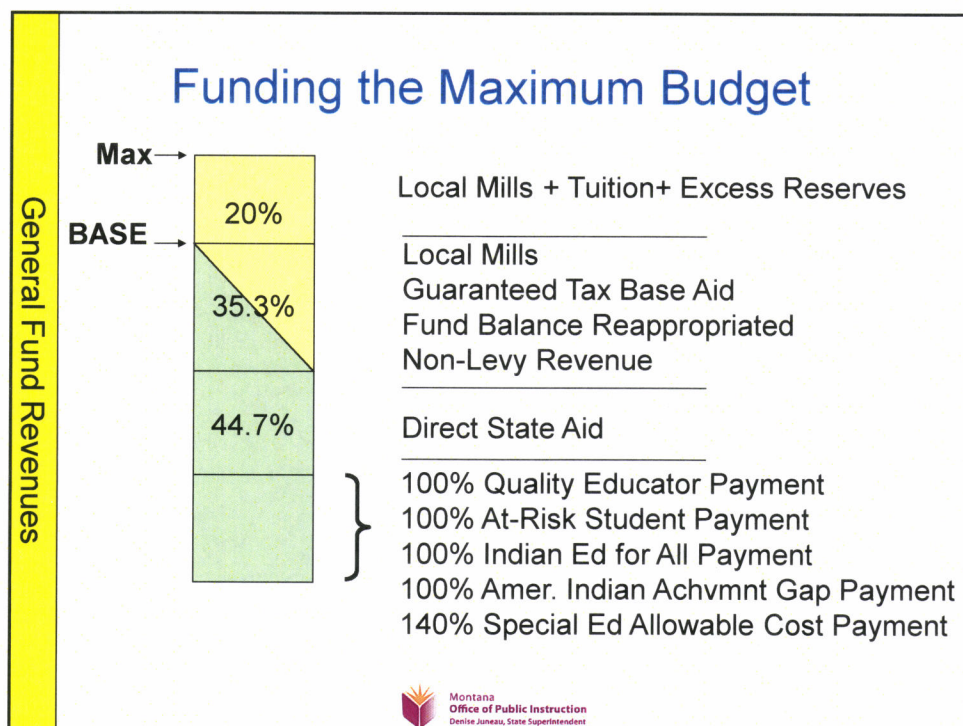
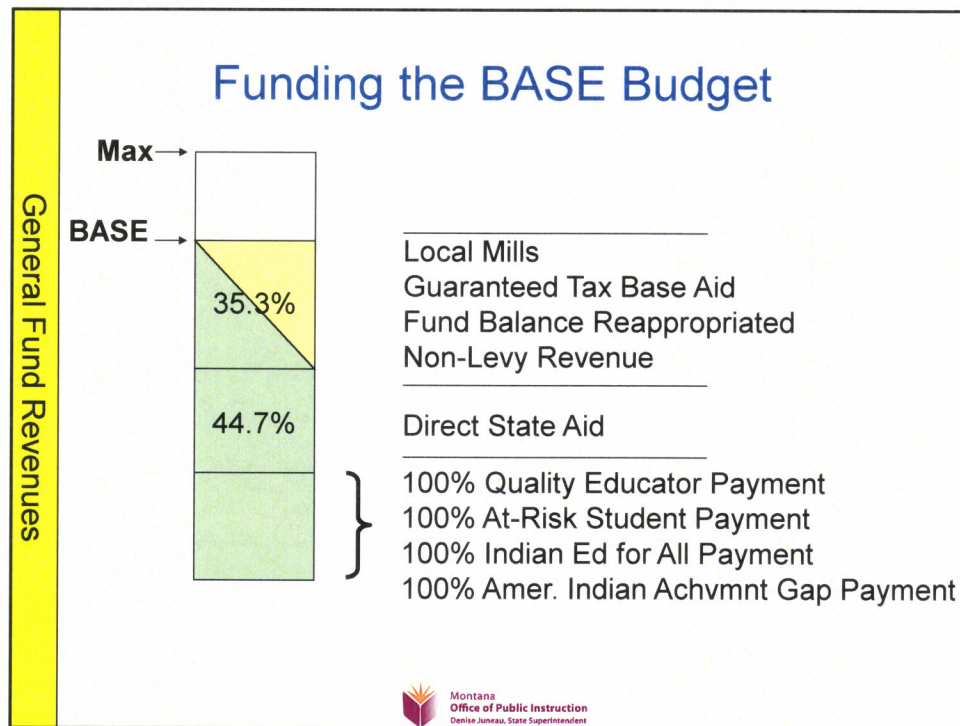












How Guaranteed Tax Base Works

- State Taxable Value
\$ 2,345,121,343 (2011 tax year)
- State guarantees that for every dollar of the BASE budget that the district must fund with property taxes (i.e. in the GTB Area), there will be \$22.13 (FY13) of taxable valuation at the elementary level and \$38.51 (FY13) at the high school level to fund that budget.
- The GTB level is recalculated each year.



Changes to General Fund GTB

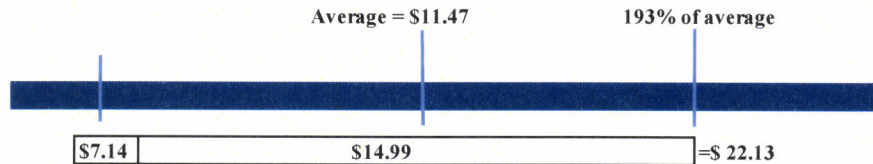
- **Statewide GF GTB Ratio** changed from 175% to 193% effective in FY08. 321 districts received GF GTB in FY08, up from 306 districts in FY07.
 - 318 LEs in FY10
 - 319 LE's in FY11
 - 315 LE's in FY12

(HB2) 2007 Session



How GTB Works in the District General Fund - FY 2013

Taxable Value per Dollar of GTB Area - FY 2013



Havre Elementary	Havre Elementary GTB Subsidy per dollar GTB Area
------------------	--

	<u>Average</u>	<u>193 Percent</u>
Statewide Elementary GTB Ratio	\$11.47	\$22.13
FY 2012 Statewide Taxable Value	\$2,345,121,343	<u>Havre Elem</u> \$17,904,146
FY 2012 GTB Area - Elem	\$204,522,557	\$2,508,955
Taxable Value per dollar GTB Area	\$11.47	\$7.14

27

Havre Elementary GTB and Base Taxes

Ratio of Base Taxes to Statewide GTB R	7.14/22.13 =	32.2%
Ratio of GTB Subsidy to Statewide GTB	14.99/22.13 =	67.8%
Havre Elementary GTB Area FY 2013	\$1,986,920	
Base Taxes	\$640,707	33.86 mills
GTB Subsidy	\$1,346,213	

If Havre Elementary had not had GTB it would have levied 105 base mills to fund its GTB area. With GTB it will levy 33.86 Base Mills

Non-Levy Revenue

- Schools must budget non-levy revenue
- Must include non-levy revenue BEFORE levying property taxes
- Examples of non-levy revenue include:
 - Investment earnings
 - State Reimbursements (for tax law changes)
 - Oil, gas and coal payments
 - State Paid Tuition
 - Block Grants



Non-Levy Revenue – Block Grants

Block Grant Type	FY12 Amount
General Fund School Block Grant	\$ 45,030,355
Co. Transportation Fund School Block Grant	\$ 1,856,355
Combined Fund SBG (Discretionary Placement):	
General Fund:	\$ 186,057
Transportation Fund:	\$ 107,814
Bus Depreciation Fund:	\$ 21,909
Tuition Fund:	\$ 7,461
Adult Ed Fund:	\$ 58,705
Non-Operating Fund:	\$ 428
Technology Fund:	\$ 693,290
Flexibility Fund:	\$ 1,685,633
Debt Service Fund:	\$ 137,656
Building Reserve Fund:	\$ 524,249
Total Combined Fund School Block Grant	\$ 3,423,203
Grand Total	\$ 50,309,913



Fund Balance Reappropriated

- Determine the fund balance in the district's general fund as of June 30
- Set aside up to 10% for an operating reserve for the ensuing year
- Set aside "excess reserves" (as defined in 20-9-104, MCA)
- Remaining fund balance must be used to fund the budget for the ensuing year before property taxes may be levied
- FBR is limited to 15% of the Maximum GF budget excess FBR is remitted to the state.



General Fund Budgets Number of Districts

Percent Group	2004	2005	2006	2007	2008	2009	2010	2011	2012
Below Base	0	0	0	0	0	0	0	0	0
At Base	62	59	56	54	53	54	53	51	49
< 90%	57	46	54	48	45	44	44	45	42
90 to 97%	64	68	81	78	83	77	82	80	78
97 to Max	122	147	164	147	135	142	119	127	84
Over Max	133	116	75	98	105	103	119	114	161
Grand Total	438	436	430	425	421	420	417	417	414

SB 329 – 2011 session

- **FY2012 General Fund Budget**
 - Basic and per-ANB Entitlements
 - General Fund over-BASE levy
 - Limit on GF fund balance reappropriated (FBR)
 - One-Time General Fund Transfer
 - Block grants frozen at 2011 rates
 - Oil and natural gas production taxes

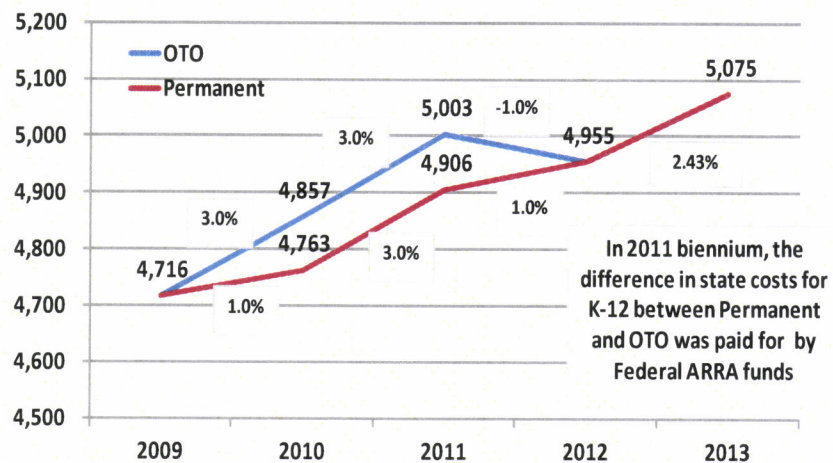
SB 329 - continued

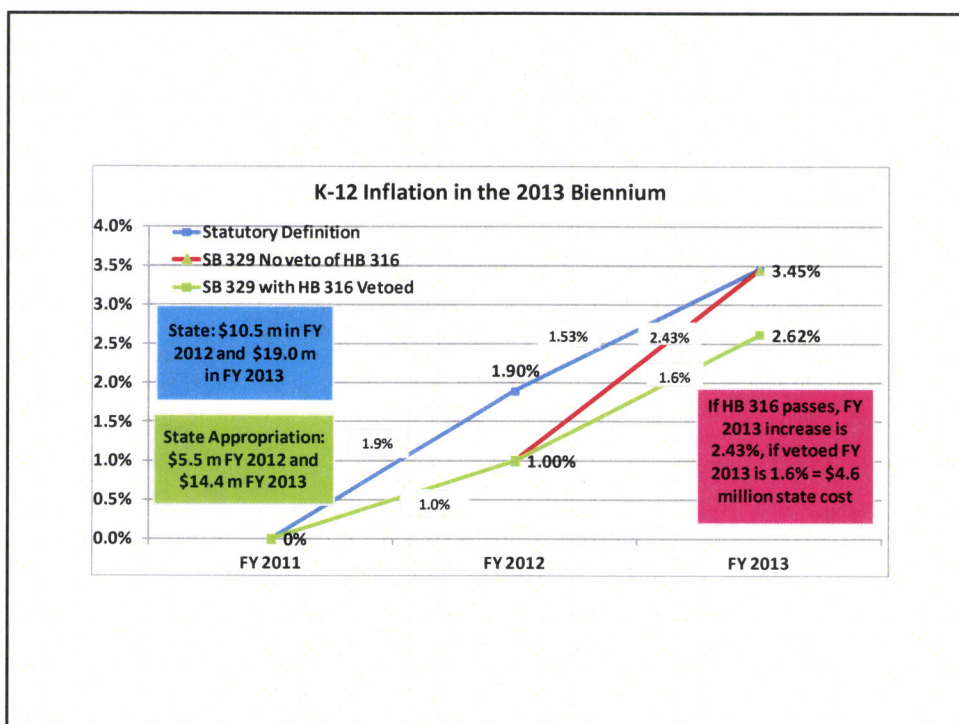
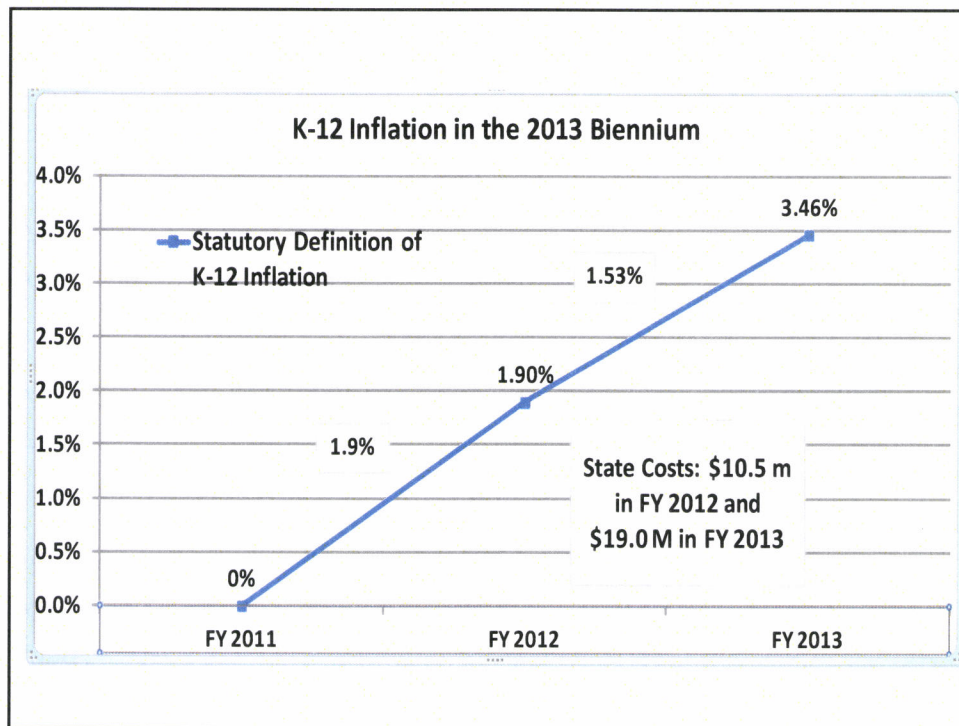
- **Budget Amendments**
- **Ending Fund Balance Limits**
 - Flexibility Fund (29)
 - All Budgeted Funds
- **Pathway to Excellence Program**
- **Multi-District Cooperative Agreements**
- **Timelines**

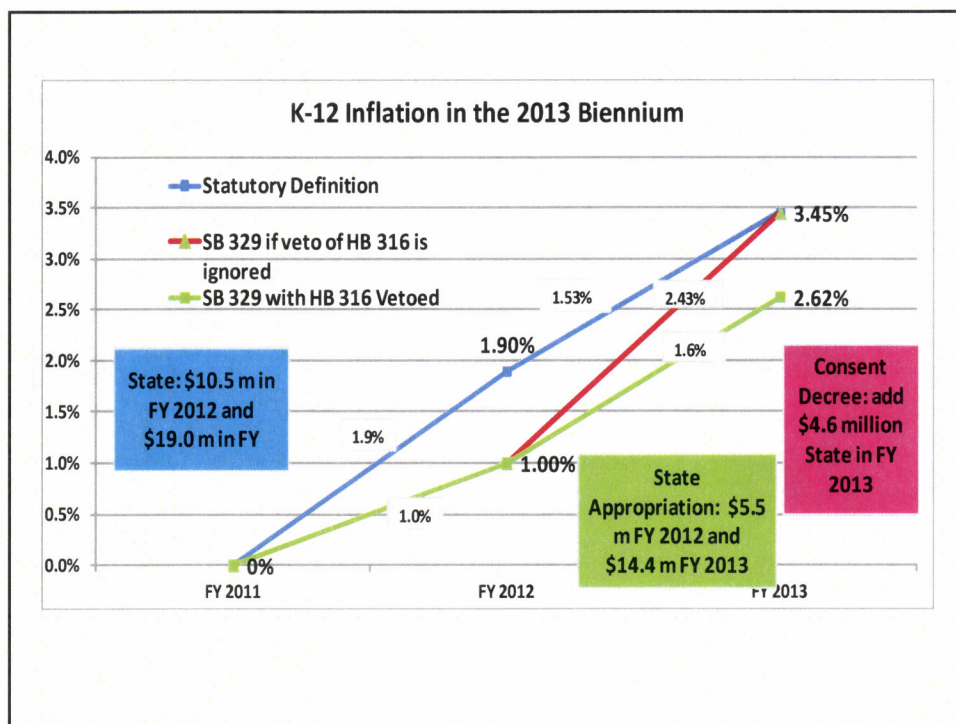
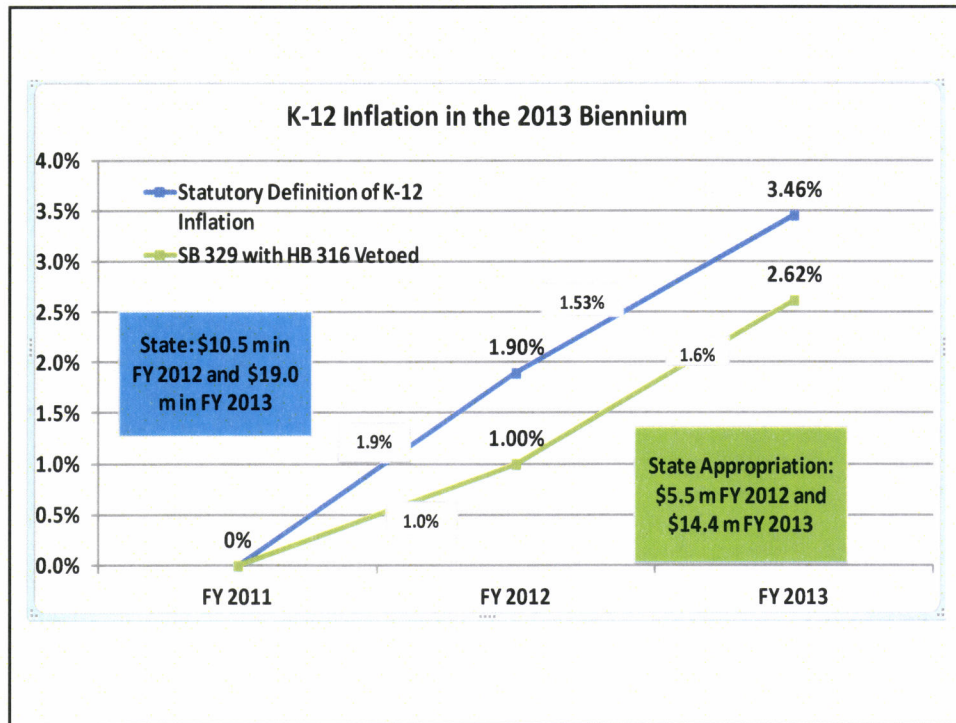
General Fund Budget Rates

Entitlement	FY 2011	FY 2012 1%	FY 2013 2.43%
Elementary Basic	\$ 23,257	\$ 23,033	\$ 23,593
Middle School Basic	\$ 65,863	\$ 65,231	\$ 66,816
High School Basic	\$ 258,487	\$ 256,003	\$ 262,224
Elem Per-ANB	\$ 5,003	\$ 4,955	\$ 5,075
HS Per-ANB	\$ 6,405	\$ 6,343	\$ 6,497

**Elementary Per-ANB Entitlement FY 2009-FY 2013 - OTO
and Permanent**







SB 329 - FY2012 General Fund Budget

- Districts may permissively adopt an over-BASE levy that is equal to the higher of:
 - the highest over-BASE amount **imposed** (actually levied) in any of the previous 5 years (FY2007 – FY2011), OR
 - The highest over-BASE amount **authorized** by voters, up to the highest budget allowed, in any of the previous 5 years (FY2007 – FY2011)

SB 329 - FY2012 General Fund Budget

- General Fund Balance Reappropriated (FBR)
 - Any unreserved fund balance in excess of 15% of a school district's maximum general fund budget must be remitted to the state
 - FY2012 – 100% deposited to state general fund
 - FY2013 - deposited to:
 - 70% Guarantee account
 - 5% State school oil and natural gas impact account
 - 25% County school oil and natural gas impact fund

Note: this provision terminates June 30, 2016

One-Time Transfer from General Fund

- Trustees must have approved the transfer at a properly noticed hearing prior to June 30, 2011
- General Fund money ***in excess*** of 15% of FY2011 GF adopted budget (doesn't include amendments)
 - FY2011 GF ending fund balance reported on TFS must be at least 15% of 2011 GF budget!
- May transfer to any **budgeted** fund(s)
- Notify OPI and county treasurer
 - Identify as SB329 One-time Transfer
 - Amount transferred
 - Identify to which fund(s) \$\$ were transferred

FY2012 General Fund Budget

- School district block grants (20-9-630, MCA) are frozen at FY2011 amounts:
 - General Fund
 - Transportation Fund
 - Combined Block Grant

In FY2013, SB372 Business Equipment Tax Reimbursements will be added to these payments
- Countywide transportation block grants (20-9-632, MCA) will continue to increase by .76% annually

*More
about
SB372
later!*

Oil and Natural Gas Production Taxes

Distribution of taxes to taxing units (15-36-332, MCA)

- Dept. of Revenue (DOR) allocates per 15-31-331, MCA
- DOR distributes to Counties
- County remits to school districts

Calendar Year 2011	Production Tax Months	DOR Remits to County	Payments Made in FY2012
	Jan. – Mar.	On or before August 1	
	Apr. – June	On or before November 1	
	July – Sept.	On or before February 1	
	Oct. – Dec.	On or before May 1	

Oil and Natural Gas Production Taxes

- Limit on total oil and natural gas tax revenue
 - School district may receive 130% of its Maximum General Fund budget
 - DOR distributes \$\$ until the limit is reached
 - Excess of the limitation is deposited to:
 - In FY2012, to the guarantee account
 - Beginning in FY2013:
 - 70% to state guarantee account
 - 5% to state school oil and natural gas impact account
 - 25% to county school oil and natural gas impact fund

Note: this provision terminates June 30, 2016

Oil and Natural Gas Production Taxes

- School district must budget a minimum amount of oil and natural gas production tax revenue in the General Fund equal to the lesser of:
 - 25% (FY2012) of the total oil and gas revenue received in all funds in the prior year, OR
 - The general fund levy requirement (BASE and over-BASE)
 - Required minimum receipts to be budgeted:

FY2012	25%	FY2014	45%
FY2013	35%	FY2015 and after	55%

Note: this provision terminates June 30, 2016

Oil and Natural Gas Production Taxes

- Oil and natural gas revenue must be deposited in the General Fund until the budgeted amount is reached.
- All remaining oil and natural gas revenue may be deposited in any budgeted fund.

Impacts From Oil and Natural Gas Production

- **State School Oil and Natural Gas Impact Account**
 - Purpose: to provide money to schools not receiving oil and natural gas tax revenue but are impacted by contiguous counties that are benefitting from oil and natural gas tax revenue
 - Funding sources (FY2013 – FY2016):
 - Excess fund balance available for reappropriation
 - Excess oil and natural gas production tax revenue
 - Amount in fund is limited to \$7.5 million; excess is deposited in the state general fund
 - School applies to OPI for funds
 - Awards based on need, impacts and other criteria

Impacts From Oil and Natural Gas Production

- **County School Oil and Natural Gas Impact Fund**
 - County distributes 80% of the fund when:
 - A school district receives 30% or less of the district's 4-year average oil and gas revenue, OR
 - The average price of oil is \$50 or less for the fiscal year, OR
 - Production of oil in the county drops 50% or more below the county's 5-year average production
 - County may retain 20% to:
 - Pay outstanding capital project bonds
 - Other expenses incurred prior to reduction in price,
 - Offset property taxes
 - Promote diversification and economic development in the county
 - Attract new industry
 - Provide cash incentives for expanding employment base in the impacted area

Budget Amendments

- Any budget amendment(s) adopted due to an “unforeseen need of the district that cannot be postponed until the next school year without dire consequences affecting the educational functions of the district” (20-9-161(b))
- Adopted in combination with other budget amendments within the same fiscal year
- Exceeds 10% of the district’s adopted general fund budget
- Must be reported with an explanation of why the budget amendment is necessary to:
 - Board of Public Education
 - Education and Local Government Interim Committee

Ending Fund Balance Limits

- Flexibility Fund (29)
 - Beginning July 1, 2013 (FY2014), the balance of a school district’s flexibility fund may not exceed 150% of its maximum general fund budget
 - Example:

FY2014 Maximum GF Budget	\$ 1,500,000
Flexibility Fund balance as of June 30, 2014 cannot exceed	\$ 2,250,000

Ending Fund Balance Limits

- Beginning July 1, 2016 (FY2017), EFB limited to 300% of the maximum general fund budget
- All budgeted funds, except building reserve, debt service and bus depreciation
 - General (01) Transportation (10)
 - Tuition (13) Retirement (14)
 - Adult Education (17) Technology (28)
 - Flexibility (29)
- Doesn't apply to districts in a non-operating status or in the first year of re-opening

Pathway to Excellence Program

- Requires the Office of Public Instruction (OPI) to develop on its website an educational data profile for each district, which contains:
 - school district contact information and links to district websites, when available.
 - state criterion-referenced testing results.
 - program and course offerings.
 - student enrollment and demographics by grade level.
 - graduation rates.

(SB329) 2011 Session

Pathway to Excellence Program

- Requires each school district to annually report to the OPI and post on its website the following district information for the previous school year
 - The number and type of employee positions.
 - The total amount of compensation paid to each school district.
 - The certification held by and required of each employee.

(SB329) 2011 Session



Multidistrict Cooperatives

- Allows cooperative purchasing contracts between school districts to purchase supplies and services without complying with bid requirements if the group maintains an updated, publicly available master list of supplies and vendors. The group must allow vendors to compete twice yearly for inclusion on the master list.

(SB329) 2011 Session



Multidistrict Cooperatives

- Authorizes two or more school districts to create a multidistrict cooperative to perform any services, activities, and undertakings of the participating districts.
- Members of multidistrict cooperatives may transfer moneys from any budgeted funds of the district to the prime agent (host) district of the cooperative for deposit into the interlocal agreement fund.

(SB329) 2011 Session



Multidistrict Cooperatives

- SB 329 and HB 2 appropriated a total of \$2 million for the biennium for one-time payments to districts participating in multidistrict cooperatives as of December 31, 2012. Payments will be allocated to districts based on the proration of each district's FY 2013 BASE budget to the total of BASE budgets for all districts participating in multidistrict cooperatives. Funding may be, but is not required to be, used to fund cooperative efforts.

(SB329) 2011 Session



SB 329 Timelines

- **Prior to June 30, 2011**

- One-time transfer of general fund money in excess of 15% of FY2011 GF budget that is not needed to fund the budget to any budgeted fund.

SB 329 Timelines

- **Effective July 1, 2011 (FY2012)**

- Multidistrict agreements
- Cooperative purchasing contracts
- Transfers between funds
- Increase in basic and per-anb entitlements
- General Fund over-BASE levy
- Limit on fund balance reappropriated (FBR)
- Oil and natural gas production taxes
- Block grants frozen at FY2011 level
- Budget amendments

*Ends
June 30,
2016*

SB 329 Timelines

- **Effective in FY2013**

- OPI distributes \$2 million appropriation to districts participating in multidistrict cooperatives
- OPI must present longitudinal data on student achievement

- **Effective July 1, 2012 (FY2013)**

- State school oil and natural gas impact account
- County school oil and natural gas impact account
- Flex fund ending balance is limited to 150% of max GF budget

SB 329 Timelines

- **Effective July 1, 2016 (FY2017)**

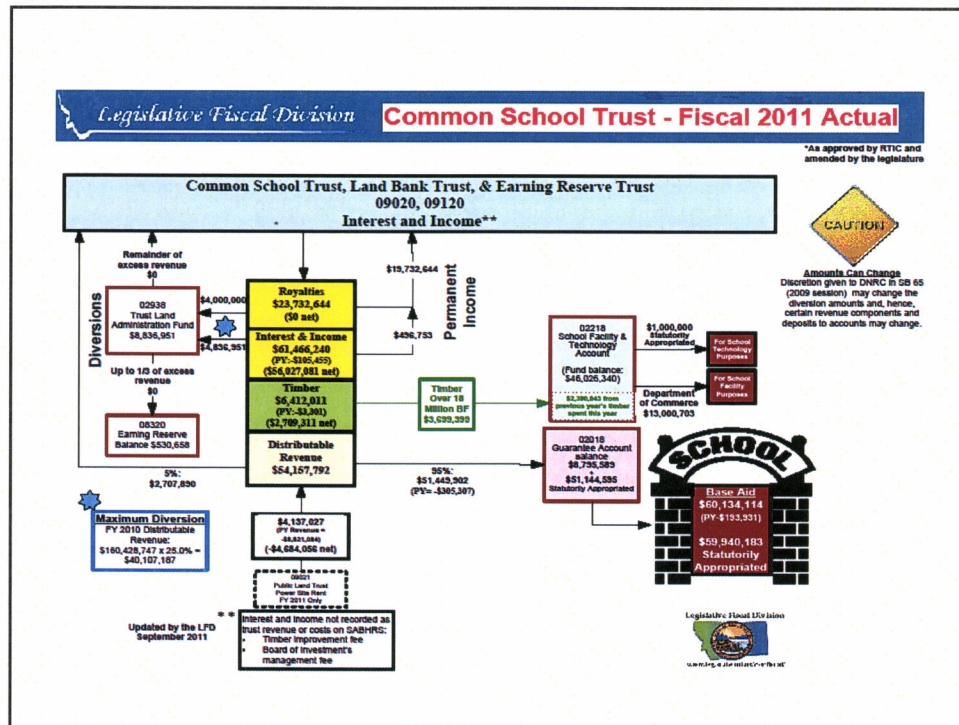
- Limit on ending fund balance in budgeted funds, except retirement, debt service, building reserve and non-operating

SB372 Business Equipment Tax

- Effective January 1, 2012
- Class 8 property tax rate reduced from 3% to 2% on the first \$2 million of taxable market value
- DOR will calculate property tax reimbursement for local governments, school districts, county retirement and countywide transportation funds (approx. \$10.7 m in FY 13 and \$6.4 m per year thereafter)
- School districts will be reimbursed through the school block grant payments
 - Reimbursement begins with FY2013 block grant payments (70% in November; 30% in May)
 - Anticipate this revenue when calculating net levy req's

SB372 Business Equipment Tax

- Beginning in at the end of FY 2013, if fiscal year collections of income tax and corporate tax exceed 4% per year, then the tax rate on class 8 business equipment for the first \$3 million in market value will be 1.5%, and 3% for all value above that threshold.
- This will likely happen in FY 2013 and will apply to class 8 property starting tax year 2014.
- DOR will calculate property tax reimbursement for local governments, school districts, county retirement and countywide transportation funds, probably in FY 2015
- School districts will be reimbursed through the school block grant payments

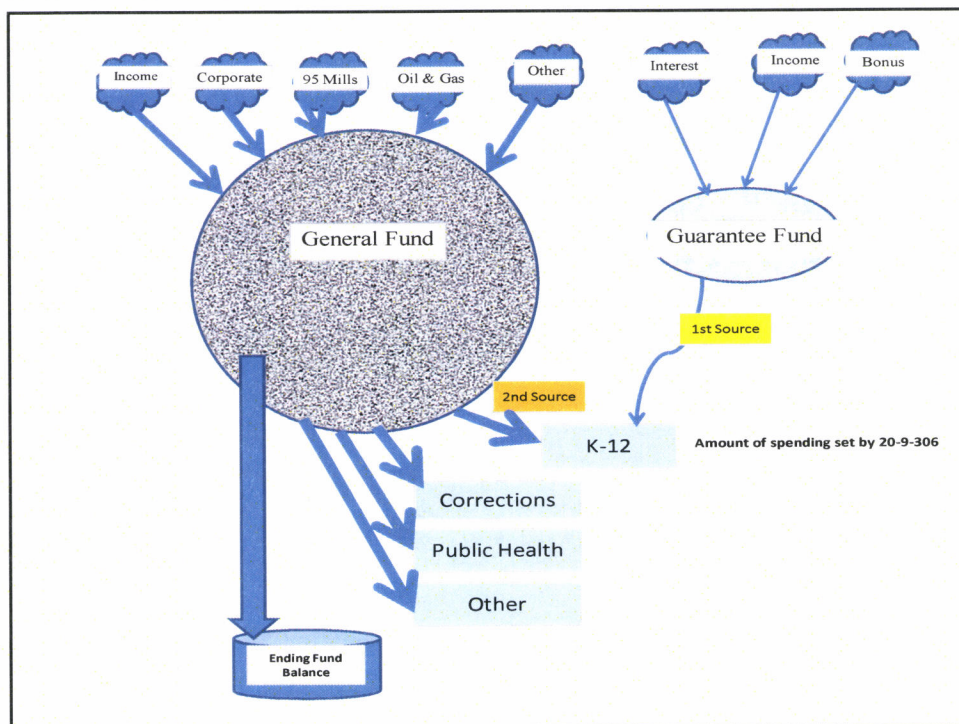
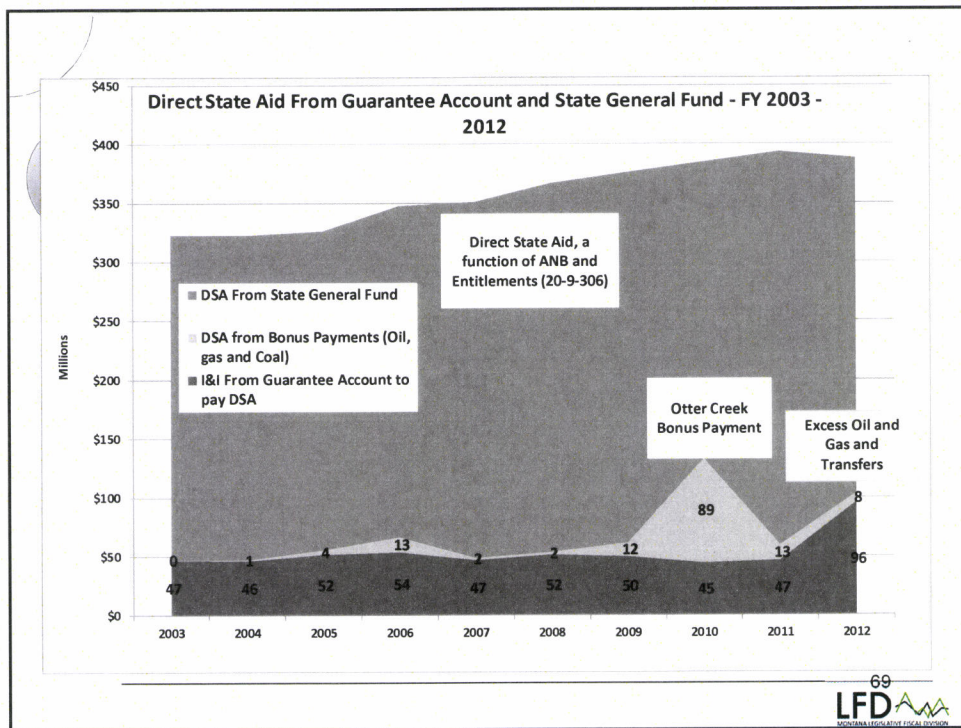


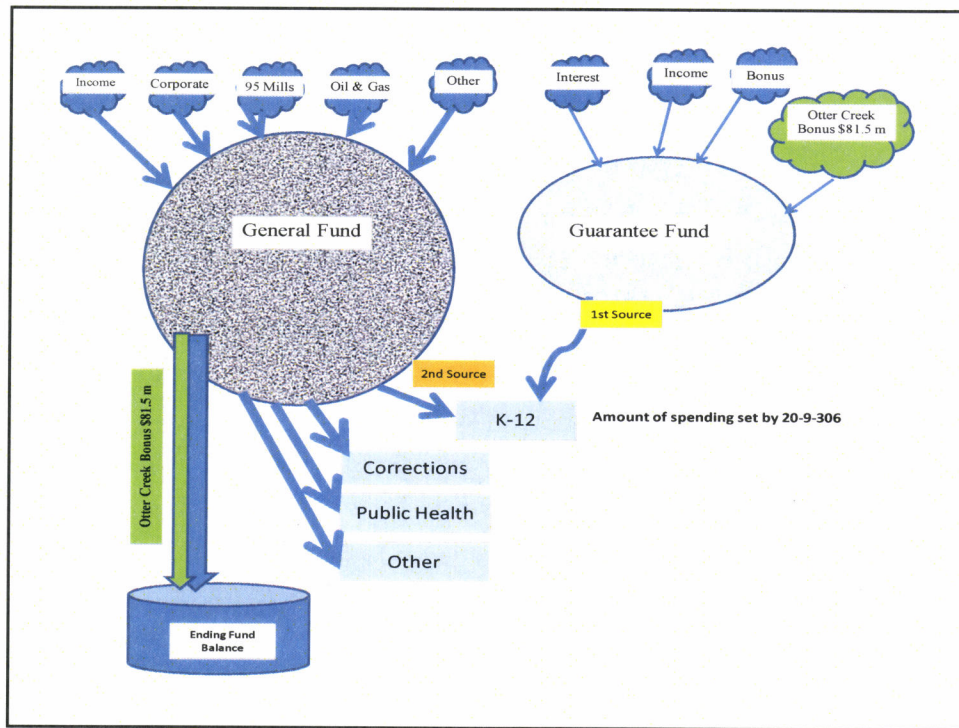
Guarantee Account

- Is Statutorily Appropriated (i.e. not directly appropriated in HB 2 – spending is equal to revenue into fund)
- Receives Interest and Income and Bonus Payments from State lands, Streambed rents until FY 2013, Excess oil and gas from school districts (70% in FY 2013), excess fund balance reappropriated beginning FY 2013

Guarantee Account - Revenues - FY 2012

Interest and Income and Bonus Payments	\$ 58,448,243
Oil and Gas From School Districts - Excess of 130% of Max Bud	\$ 15,267,924
Streambed Rents from Power Companies	\$ 4,165,917
OTO Transfers due to HB604 (Junk Veh, BOG, Orphan share, coal bed methane)	\$ 27,400,000
Total	\$ 105,282,085





How the Guarantee Account Funds K-12

